

PUBLIC DISCLOSURE

MARCH 30, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ATHOL SAVINGS BANK

90146

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|--------------|---|
| NOTE: | This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution. |
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TABLE OF CONTENTS

| | | |
|------|--|-----|
| I. | General Information..... | 1 |
| II. | Institution Rating | |
| | a. Overall Rating | 1 |
| | b. Scope of Examination..... | 2 |
| | c. Description of the Institution | 3 |
| | d. Description of the Assessment Area | 4 |
| | e. Conclusions Regarding Performance | 6 |
| III. | Appendices | |
| | a. Appendix A: Division of Banks - Fair Lending Policies and Procedures..... | A-1 |

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Athol Savings Bank ("ASB" or the "Bank")** prepared by the Division and FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "**High Satisfactory**" by the Division and "**Satisfactory**" by the FDIC.

Note: The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or Satisfactory rating.

An institution with these ratings by the agencies has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Intermediate Small Bank CRA procedures were utilized for the evaluation¹. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below.

Lending Test: Outstanding

- The Bank's average loan-to-deposit ratio was reasonable given the institution's size and assessment area credit needs.
- A substantial majority of the Bank's loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of the Bank's loans reflects an excellent dispersion throughout the assessment area.
- The distribution of loans based on borrower profile also reflects an excellent penetration among borrowers of different income levels and businesses of different revenue sizes.
- The Bank received no CRA-related complaints.

Community Development Test: Satisfactory

- The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the Bank's assessment area.

¹ Intermediate Small Bank CRA examination procedures were used, as Athol Savings Bank's assets were between \$258 million and \$1.033 billion as of December 31 of the prior two calendar years.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. Intermediate Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of December 8, 2007 through March 30, 2011. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Through a review of the Bank's loan portfolio composition and discussions with management, it was noted that the Bank's primary lending focus was residential lending. However, the Bank is also an active commercial lender. While the Bank originated small farm loans and consumer loans, they represented a nominal percentage of the Bank's loan portfolio. Therefore, neither will be considered in this analysis. The focus of this evaluation will center on the Bank's residential mortgage and small business lending activities.

Information concerning the residential mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank, pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancing, of one- to four-family and multifamily (five or more units) properties.

The lending performance of other financial institutions, as reported on their HMDA LARs for 2009, is provided in this Public Evaluation for comparison purposes. This information is referred to as aggregate lending data. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area.

Residential loans originated in 2009 and 2010 were considered in this analysis. Greater emphasis was placed on the 2009 lending performance, since this is the latest year for which aggregate lending data is available. Residential lending activity for calendar year 2010 was also analyzed to identify any significant trends or anomalies and is also included in the tables.

This evaluation also considered small business loans. Specifically, information on commercial real estate and commercial and industrial loans originated with original balances of \$1 million or less were used and compared to the business demographics of the Bank's assessment area. The Bank is not subject to formal CRA data reporting; however, the Bank maintains a small business loan register. The 2009 and 2010 small business loan data was used for the analysis and was compared to 2010 small business demographic information, the latest year such information is available. As previously mentioned, as an Intermediate Small Bank, the Bank is not required to report small business loan data. As such, comparing the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders are typically much larger institutions.

The Community Development Test includes analyses of the institution's loans, investments, and services that meet the definition of community development under the CRA. The period covered for the Community Development Test is December 8, 2007 through the current evaluation date of March 30, 2011.

PERFORMANCE CONTEXT

Description of Institution

Athol Savings Bank is a Massachusetts state-chartered, mutual savings bank that was established in 1867. The Bank is headquartered in Athol, Massachusetts and maintains its main office at 444 Main Street in Athol. The Bank operates seven branch offices, including two in Athol and one each in Ashburnham, Baldwinville, Barre, Gardner, and Winchendon. The main office, the two Athol branches, and the Gardner branch are located in moderate-income census tracts. The remaining branches are all located in middle-income census tracts. All offices are equipped with an automated teller machine (ATM) and/or drive-up facilities. Each of these branch locations is located within the Worcester Metropolitan Statistical Area ("MSA"). The Bank has not opened or closed any banking offices since the prior CRA evaluation.

Athol Savings Bank had total assets of \$325.7 million as of December 31, 2010, consisting principally of loans and securities. Total assets have increased 23.8 percent since the last CRA evaluation conducted by the FDIC and the Division as of December 7, 2007. The Bank's securities portfolio accounted for most of the asset growth (90.5 percent). Asset growth has been funded mainly through an increasing deposit base (24.6 percent).

Loans totaled \$172.6 million as of December 31, 2010, and accounted for 53.0 percent of total assets. Refer to Table 1 for information regarding the composition of the loan portfolio.

| Table 1 | | |
|--|----------------------------------|-----------------------------------|
| Loan Distribution as of December 31, 2010 | | |
| Loan Type | Dollar Amount (000's) | Percent of Total Loans |
| Construction and Land Development | 1,120 | 0.7 |
| 1-4 Family Residential | 142,313 | 82.4 |
| Multi-Family (5 or more) Residential | 3,193 | 1.8 |
| Commercial | 17,330 | 10.0 |
| Farm | 289 | 0.2 |
| Total Real Estate Loans | 164,245 | 95.1 |
| Commercial and Industrial | 4,472 | 2.6 |
| Consumer | 3,939 | 2.3 |
| Total Loans | 172,656 | 100.0 |

Source: Bank's Report of Condition and Income

As the data in Table 1 shows, the Bank is primarily a real estate lender, with 95.1 percent of the loan portfolio secured by real estate loans. Residential real estate loans comprise the single greatest share, at 84.2 percent of the loan portfolio. These loans are secured by multi-family properties (5+ units) and one-to-four family residences and include closed-end mortgage loans, equity loans, and revolving home equity lines of credit. Loans secured by commercial real estate comprise the next largest share of the real estate portfolio at 10.0 percent. Commercial and industrial loans make up the next largest share of the loan portfolio at 2.6 percent followed by consumer purpose loans.

The last CRA Public Evaluation dated December 7, 2007 was a joint examination conducted by the FDIC and the Division. The Division assigned the Bank a CRA rating of "High Satisfactory" and the FDIC assigned a rating of "Satisfactory." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, unless otherwise permitted, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank defined its assessment area to include the following Massachusetts communities: Ashburnham, Ashby, Athol, Barre, Gardner, Hardwick, New Braintree, Hubbardston, Oakham, Rutland, Orange, Petersham, Phillipston, Royalston, Templeton, Westminster, and Winchendon.

Each of these communities are located in the Worcester MSA, except for Orange which is located in the Springfield MSA and Ashby which is located within the Boston-Cambridge-Quincy, MA-NH MSA.

The Bank's assessment area contains 20 census tracts, including 6 moderate-income (30.0 percent) and 14 middle-income (70.0 percent) census tracts. There are no low- or upper-income census tracts in the Bank's assessment area.

Population

Based on 2000 U.S. Census data, the assessment area has a total population of 95,947 persons and has 35,977 households and 25,417 families. In addition, there are 38,615 housing units in the assessment area, of which 67.8 percent are owner-occupied. Please refer to Table 2 for additional demographic and economic information pertaining to the Bank's assessment area.

| Table 2 | | | | | | |
|---|----------------------------|-------------------------|-----------------------|-------------------------|-----------------------|-----------------------------|
| Selected Housing Statistics by Income Category of the Census Tract | | | | | | |
| Census Tract | Total Housing Units | Total Households | Rental Units % | Owner Occupied % | Vacant Units % | Median Housing Value |
| Moderate | 9,645 | 8,914 | 39.0 | 19.5 | 27.3 | \$92,297 |
| Middle | 28,970 | 27,063 | 61.0 | 80.5 | 72.7 | \$123,161 |
| Total | 38,615 | 35,977 | 100.0 | 100.0 | 100.0 | \$118,801 |

Source: PCi Corporation CRA Wiz, 2000 US Census

Income

Based on the 2000 U.S. Census, the median family income (MFI) for the assessment area was \$64,168. However, the Department of Housing and Urban Development (HUD) publishes annual estimates of the MFI for metropolitan and non-metropolitan areas that are adjusted for inflation and other economic events. The HUD-adjusted MFI for the Worcester MSA was \$79,700 in 2009 and \$79,900 in 2010.

The analysis of the Bank's residential lending by borrower income is based on the HUD-adjusted MFI figures. Low-income is defined as less than 50 percent of MFI; moderate-income is at least 50 percent and less than 80 percent of MFI; middle-income is at least 80 percent and less than 120 percent of MFI; and upper-income is 120 percent or greater of MFI.

Unemployment Rates

Unemployment data for the assessment area was obtained from the Bureau of Labor Statistics. The unemployment rate for Worcester County is the data used in this evaluation since all of the Bank's branches and the majority of the Bank's assessment area and lending is in the Worcester MSA. The unemployment rate for Worcester County was 11.1 percent in 2009 and 12.1 percent in 2010. As a comparison, the 2009 and 2010 United States unemployment rate increased from 9.3 percent to 9.6 percent, while the Massachusetts rate increased from 8.2 percent to 8.5 percent in that same timeframe.

Competition

ASB operates in a competitive market area in terms of financial services. The Bank competes for loan volume with many commercial banks, savings banks, credit unions, and mortgage brokers. Among the more prominent mortgage lenders are Bank of America, NA; Wells Fargo Bank, N.A.; the former Athol-Clinton Co-operative Bank (since merged with Hometown Bank); and Workers Credit Union. Despite the high level of competition, ASB ranked third in market share out of 209 HMDA reporting lenders in 2009.

Business Demographics

According to available data, there were 5,737 businesses in the assessment area in 2010. When analyzed by census tract income level, 21.5 percent of these businesses are in moderate-income census tracts and 78.5 percent are in middle-income census tracts. When analyzed by the revenue size of the business, 80.5 percent of all businesses had gross annual revenues of \$1 million or less, 3.4 percent had gross annual revenues of greater than \$1 million, and the remaining 16.1 percent of the businesses did not report gross annual revenues.

Community Contact

A community contact was conducted with a local community development corporation (CDC) located in one of the larger communities within the Bank's assessment area. The contact indicated that there continues to be a need to develop old abandoned brick factories into residential apartments and assisted-living residences. The contact indicated there are federal funds to develop these properties; however, there have been delays in obtaining these funds. In addition, several employers have relocated out of the region causing borrowers to become delinquent on their mortgages. The contact indicated that local banks do a good job working with delinquent borrowers to avoid foreclosure.

Primary Credit Need

Based on a review of demographic data and discussions with the local community development organization, the assessment area has no one primary credit need. However, given that the area is mostly comprised of residential communities, retail residential loan products are perhaps in greatest demand. The area's residents also require a variety of consumer loan products to meet personal needs and an array of home financing programs for the purchase, construction, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing needs.

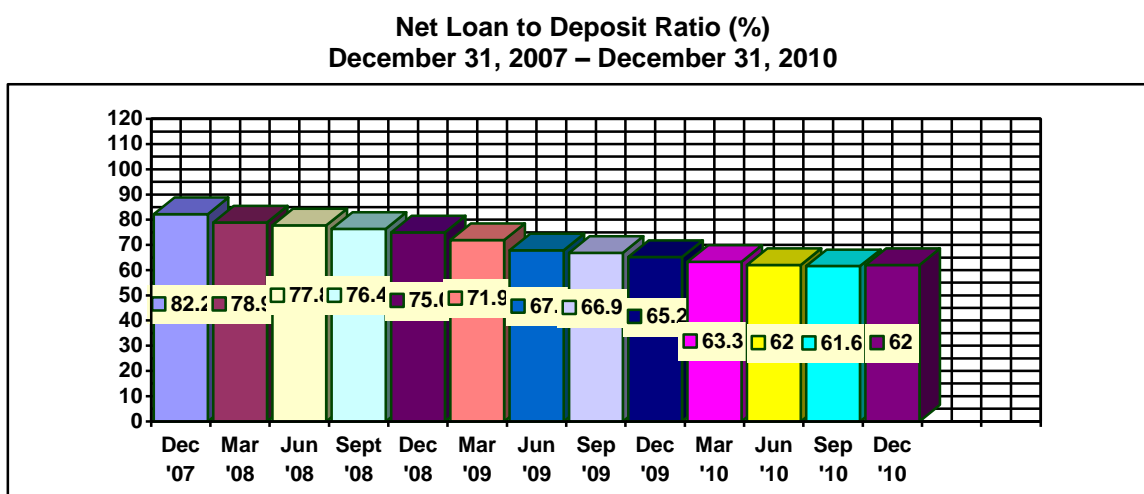
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-To-Deposit (LTD) Ratio

An analysis of ASB's quarterly net LTD ratios for the period of December 31, 2007 through December 31, 2010 was conducted during this evaluation. Based on the Bank's asset size, resources, and the credit needs of its assessment area, the Bank's net LTD ratio is considered reasonable.

Using the Bank's Call Report data for the 13 quarters since the prior CRA evaluation, the average net LTD ratio was calculated to be 70.1 percent. This ratio is based on loans net of unearned income and the allowance for loan and lease losses as a percentage of total deposits. The LTD ratio has ranged from a high of 82.2 percent as of December 31, 2007 to a low of 61.6 percent in September 30, 2010. The following graph is provided for information purposes and shows the current trend in the LTD ratio:



Source: Bank Call Reports

As shown in the graph above, the Bank's LTD ratio has decreased over the past 13 quarters. In fact, the Bank's LTD ratio declined from 82.2 percent on December 31, 2007 to 62.0 percent as of December 31, 2010. This trend is directly attributed to the fact that the Bank's deposit base grew by 24.6 percent since December 31, 2010, while net loans declined 6.0 percent over the same timeframe. The current economic climate has reduced the loan volume, even as the Bank continues to attract deposits through its marketing efforts.

The Bank's average net LTD ratio was compared to other similarly-situated banks in the area. Each of these banks was chosen because of their relative proximity, lending focus, lending areas, and asset size. As shown in Table 3, ASB performed reasonably well to these other depository institutions.

| Table 3 | | |
|-------------------------------|--------------------|-----------------|
| Bank Name | Asset Size (000's) | Average Net LTD |
| Savers Co-operative Bank | 400,826 | 99.3 |
| Fidelity Co-Operative Bank | 521,305 | 95.2 |
| Millbury Savings Bank | 203,659 | 80.5 |
| Athol Savings Bank | 325,704 | 70.1 |
| North Brookfield Savings Bank | 191,933 | 69.7 |

Source: Call Report Data

It is also important to note that ASB sells loans to the secondary market. In fact, the Bank sold 86 loans to the Federal National Mortgage Association (Fannie Mae) and MassHousing, including 1 loan for \$125,000 in 2008, 76 loans totaling \$11.8 million in 2009, and 9 loans totaling \$1.3 million in 2010. These loans are not reflected in the current LTD ratio, but further demonstrate the Bank's willingness to reinvest in the community through its lending services.

Assessment Area Concentration

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. Based on a review of the residential loan and small business loan data, a substantial majority of the Bank's lending activity occurs in the assessment area.

| Table 4 Distribution of Residential Mortgage Loans Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|------|---------|------|-------|---------------------------|------|---------|------|--------|
| Year and Loan Purpose | Number of Loans | | | | | Dollars in Loans \$(000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| 2009 | | | | | | | | | | |
| Purchase | 37 | 92.5 | 3 | 7.5 | 40 | 5,026 | 89.7 | 580 | 10.3 | 5,606 |
| Home Improvement | 27 | 81.8 | 6 | 18.2 | 33 | 2,128 | 73.0 | 787 | 27.0 | 2,915 |
| Refinance | 153 | 86.4 | 24 | 13.6 | 177 | 19,809 | 82.9 | 4,072 | 17.1 | 23,881 |
| Total | 217 | 86.8 | 33 | 13.2 | 250 | 26,963 | 83.2 | 5,439 | 16.8 | 32,402 |
| 2010 | | | | | | | | | | |
| Purchase | 32 | 91.4 | 3 | 8.6 | 35 | 4,024 | 90.5 | 420 | 9.5 | 4,444 |
| Home Improvement | 23 | 88.5 | 3 | 11.5 | 26 | 1,819 | 92.6 | 145 | 7.4 | 1,964 |
| Refinance | 87 | 87.9 | 12 | 12.1 | 99 | 12,349 | 88.1 | 1,668 | 11.9 | 14,017 |
| Total | 142 | 88.8 | 18 | 11.2 | 160 | 18,192 | 89.1 | 2,233 | 10.9 | 20,425 |
| Total Residential Mortgage Loans | 359 | 87.6 | 51 | 12.4 | 410 | 45,155 | 85.5 | 7,672 | 14.5 | 52,827 |
| 2009 Small Business Loans | 41 | 78.8 | 11 | 21.2 | 52 | 6,357 | 76.7 | 1,930 | 23.3 | 8,287 |
| 2010 Small Business Loans | 44 | 81.5 | 10 | 18.5 | 54 | 6,517 | 88.3 | 861 | 11.7 | 7,378 |
| Total Small Business Loans | 85 | 80.2 | 21 | 19.8 | 106 | 12,874 | 82.2 | 2,791 | 17.8 | 15,665 |
| | | | | | | | | | | |
| Grand Total | 444 | 86.0 | 72 | 14.0 | 516 | 58,029 | 84.7 | 10,463 | 15.3 | 68,492 |

Source: 2009 and 2010 HMDA LARs and Small Business Loan Reports

As noted in the table above, the Bank originated 87.6 percent of its residential loans by number and 85.5 percent of its residential loans by dollar volume within its assessment area. The small business loan data shows that 80.2 percent by number and 82.2 percent by dollar volume were originated by the Bank within its assessment area. The Bank's ability to originate a substantial majority of its loans in its assessment area (HMDA and CRA small business) and achieve impressive market ranks in a highly competitive area is noteworthy.

Residential Lending

The substantial majority of the residential mortgage loans extended by the Bank in 2009 and 2010 were inside the assessment area. As shown in Table 4, the total volume of residential mortgage loans decreased from 2009 to 2010, but the percentage inside the assessment area by both number and dollar amount increased significantly. Market data for 2009 shows that the Bank had a 6.4 percent market share and ranked third out of 209 lenders that reported originating at least one loan in the assessment area. The two mortgage lenders with a greater

market share than the Bank were Workers Credit Union and IC Federal Credit Union. It should be noted that ASB had a better overall market share than its direct competitor, the former Athol-Clinton Co-operative Bank (since merged with Hometown Bank).

An analysis of the Bank's lending inside and outside the assessment area by loan purpose was also conducted. In 2009, 92.5 percent of the Bank's home purchase loans were inside the assessment area, while 81.8 percent of total refinance loans and 86.4 percent of total home improvement loans were inside the assessment area. In 2010, the Bank's percentage of home purchase loans inside the assessment area basically remained the same at 91.4 percent, while the percentages of refinance and home improvement loans extended inside the assessment area both improved to 87.9 percent and 88.5 percent, respectively.

Small Business Lending

The majority of the small business loans extended in 2009 and 2010 by number and dollar amount were inside the assessment area. As shown in Table 4, the total volume of small business loans and total dollar value of the small business loans grew slightly from 2009 to 2010. In addition, the percentage of the number and dollar volume of loans within the Bank's assessment area also increased.

Distribution of Credit among Borrowers of Different Income Levels and Businesses of Different Sizes (Borrower Profile)

The distribution of loans by borrower income levels and businesses' gross annual revenues was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. Overall, the distribution of borrowers reflects an excellent penetration among individuals of different income levels, including those of low- and moderate-income, and to businesses of different sizes.

Residential Lending

Table 5 details the distribution of the Bank's 2009 and 2010 residential mortgage loans by borrower income levels within the assessment area. For comparison purposes, the table includes the percentage of the assessment area's families by income level and the aggregate performance levels for 2009.

| Table 5 Residential Mortgage Loans by Borrower Income | | | | | | | | |
|--|---------------------|--------------------------------------|------|-------|------|-------|-------|-------|
| Income Level | % of Total Families | 2009 Aggregate Lending Data | 2009 | | 2010 | | Total | |
| | | % of # | # | % | # | % | # | % |
| Low | 20.0 | 10.6 | 28 | 12.9 | 22 | 15.5 | 50 | 13.9 |
| Moderate | 21.2 | 24.2 | 67 | 30.9 | 41 | 28.9 | 108 | 30.1 |
| Middle | 26.0 | 25.9 | 57 | 26.3 | 43 | 30.3 | 100 | 27.9 |
| Upper | 32.8 | 22.2 | 55 | 25.3 | 32 | 22.5 | 87 | 24.2 |
| NA | - | 17.1 | 10 | 4.6 | 4 | 2.8 | 14 | 3.9 |
| Total | 100.0 | 100.0 | 217 | 100.0 | 142 | 100.0 | 359 | 100.0 |

Source: U.S. Census, 2009 HMDA LAR and Aggregate Data, 2010 HMDA

As shown in Table 5, 20.0 percent of the families within the assessment area are low-income. The Bank's 2009 record of extending home mortgages to low-income borrowers, at 12.9 percent of total home mortgages by number, exceeds the aggregate market performance of 10.6 percent.

A review of the Bank's lending in 2010 revealed an increase in the percentage of loans to low-income individuals. In 2010, the Bank originated 15.5 percent of its home mortgage loans to low-income borrowers, compared to 12.9 percent in 2009

Market data analysis reveals that out of all lenders that reported home mortgages in 2009, ASB ranked third and had a 6.6 percent market share in lending to low-income borrowers. This is another indication of the Bank's strong commitment to meeting the credit needs of low-income individuals within the assessment area.

The Bank's 2009 record of extending home mortgages to moderate-income borrowers, at 30.9 percent of total home mortgages, is excellent when compared to the percentage of moderate-income families (21.2 percent). The Bank's performance in this area is well ahead of the aggregate performance of 24.2 percent.

The Bank's level of lending to moderate-income individuals, as a percentage of total loans, decreased slightly from 2009 to 2010. In 2009, the Bank originated 30.9 percent of its home mortgage loans to moderate-income borrowers compared to 28.9 percent in 2010.

According to 2009 aggregate lending data, the Bank ranked second in lending to moderate-income borrowers, claiming a 7.4 percent market share.

ASB offers a number of loan programs designed to make affordable housing available to first-time homebuyers and current homeowners. Programs offered include various MassHousing mortgage programs, and the USDA Guaranteed Rural Housing Loans. The Bank also works closely with delinquent homeowners to help them avoid foreclosure.

Given the demographics of the assessment area and the level of competition, the Bank's ability to outperform the aggregate and achieve high market share ranks to both low- and moderate-income borrowers reflects excellent performance in this criterion.

Small Business Lending

Table 6 illustrates the distribution of the Bank's 2009 small business lending within the assessment area by the size of the business, as determined by the gross annual revenue (GAR) category. For comparison purposes, the table includes the percentage of businesses within each income category.

| Table 6 Distribution of Small Business Loans to Businesses with Revenues under \$1 million | | | | |
|---|-----------------------|--------------|--------------|--------------|
| Year | Bank Loans | | | |
| | # | % | \$ | % |
| 2009 | 22 | 53.7 | 3,731 | 58.7 |
| 2010 | 32 | 72.7 | 4,114 | 63.1 |
| Grand Total | 54 | 63.5 | 7,845 | 61.1 |
| Demographics | Business Revenue Size | | | |
| | # | <\$1 million | >\$1 million | Not Reported |
| Businesses | 5,737 | 80.5 | 3.4 | 16.1 |
| SOURCE: CRA Loan Registers and 2010 Business Geodemographic Data. | | | | |

As shown in Table 6, the Bank made 63.5 percent of its small business loans inside its assessment area to businesses with GAR of \$1 million or less. In 2010, the Bank's percentage of small business loans to businesses with GAR of \$1 million or less (72.7 percent) is less than the percentage of businesses in that size category (80.5 percent); however, the percentage increased compared to the prior year and shows that the Bank has been successful in meeting the credit needs of the area's small businesses.

The Bank also uses its status as an approved Small Business Administration (SBA) lender to improve its ability to meet the credit needs of the area's smaller sized business establishments. The Bank participates in several SBA programs, including the SBA 7A and 504 programs.

The Bank has achieved a very good penetration of small business loans among businesses of different sizes based on the area's demographics and a review of the distribution of loans by gross annual revenue of the businesses.

Geographic Distribution of Loans

The Bank's lending activity within its assessment area was reviewed in order to determine the distribution of lending among the various census tracts. Overall, the Bank's geographic distribution of loans reflects an excellent dispersion throughout the assessment area. As previously mentioned, the Bank's assessment area contains 20 census tracts, including 6 moderate-income and 14 middle-income census tracts.

Residential Lending

Table 7 presents the Bank's HMDA lending performance in 2009 and 2010. The 2009 aggregate market data is also included for comparison purposes. In addition, the table reflects the percentage of owner-occupied housing units in each of the census tract income categories.

| Table 7 | | | | | | | | |
|---|--|------------------------------------|-------------|----------|-------------|----------|--------------|----------|
| Distribution of Home Mortgage Loans by Income Category of the Census Tract | | | | | | | | |
| Census Tract | %Total Owner Occupied Housing Units | 2009 Aggregate Lending Data | 2009 | | 2010 | | Total | |
| | | % of # | # | % | # | % | # | % |
| Moderate | 19.5 | 15.0 | 46 | 21.2 | 37 | 26.1 | 83 | 23.1 |
| Middle | 80.5 | 85.0 | 171 | 78.8 | 105 | 73.9 | 276 | 76.9 |
| Total | 100.0 | 100.0 | 217 | 100.0 | 142 | 100.0 | 359 | 100.0 |

Source: U.S. Census, 2009 & 2010 HMDA LAR and Aggregate Data, 2010 HMDA

During 2009, the Bank originated 46 loans, or 21.2 percent, in the moderate-income census tracts. This exceeded the aggregate's performance at 15.0 percent.

Data for 2010 shows a decrease in the number of loans; however, the percentage of lending increased within the moderate-income census tracts.

The Bank's lending in the moderate-income census tracts during 2009 and 2010 exceeded the percentage of total owner-occupied housing units in those areas. During 2009, the Bank extended 21.2 percent of its loans in the moderate-income census tracts, which had an owner-occupied housing level of 19.5 percent. During 2010, the Bank originated 26.1 percent of its loans in the

moderate-income census tracts, which again, contained 19.5 percent of the owner-occupied housing units. The ability to outperform the owner occupancy rate and the aggregate lending performance in such a highly competitive environment is also considered excellent.

Market rank reports for 2009 show that out of 90 HMDA reporting lenders that originated at least one mortgage loan in a moderate-income census tract, the Bank was ranked third. The top two originators were a local credit union and a local bank. Given the Bank's asset size, its high market rankings are noteworthy.

Given the assessment area's demographics and the competition faced by the Bank, its ability to outperform the aggregate and achieve high market ranks in lending in the moderate-income census tracts is considered excellent.

Small Business Lending

As shown in Table 8 and Table 9, the highest proportion of small business loans was originated in the middle-income census tracts. This is not surprising given that an overwhelming majority of the businesses are located in middle-income census tracts. While a majority of the businesses are located in the middle-income tracts, the Bank originated a substantially higher percentage of loans in the moderate-income tracts than indicated by the demographics. This data clearly shows that the Bank is focused on meeting the needs of the small businesses operating in the moderate-income tracts. See the following tables for further details.

| Table 8 2009 Assessment Area (AA) Distribution of Small Business Loans by Income Category of the Census Tract | | | |
|--|--|--------------------------|--------------|
| Census Tract | % of Small Businesses Inside the AA | 2009 Lending by the Bank | |
| | | # | % |
| Moderate | 22.7 | 16 | 39.0 |
| Middle | 77.3 | 25 | 61.0 |
| Total | 100.0 | 41 | 100.0 |

Source: 2000 U.S. Census, CRA Wiz, and Bank supplied data.

| Table 9 2010 Assessment Area (AA) Distribution of Small Business Loans by Income Category of the Census Tract | | | |
|--|--|--------------------------|--------------|
| Census Tract | % of Small Businesses Inside the AA | 2010 Lending by the Bank | |
| | | # | % |
| Moderate | 22.1 | 16 | 36.4 |
| Middle | 77.9 | 28 | 63.6 |
| Total | 100.0 | 44 | 100.0 |

Source: 2000 U.S. Census, CRA Wiz, and Bank supplied data

Response to CRA Complaints

During the evaluation period, the Bank did not receive any CRA-related complaints.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified inconsistent with helping to meet community credit needs.

COMMUNITY DEVELOPMENT TEST

ASB's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area.

Based on a review of demographic and economic data, activities of similarly situated financial institutions, and reviews of community development organization contacts, the assessment area has some community development needs. The Bank has met these community development needs through the provision of community development loans, qualified donations and grants, and community development services.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

As defined in the CRA regulation, a community development loan has as its primary purpose either affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- and moderate-income geographies

During the evaluation period, ASB originated or renewed 11 loans totaling \$615,000, or .35 percent of net loans. During the prior evaluation period, the Bank had originated three community development loans totaling \$420,000 representing .23 percent of net loans. The following represents a complete list of the Bank's community development loans, each of which helped fund organizations providing community services targeted to low- and moderate-income individuals.

- In 2004, the Bank provided a \$30,000 commercial line of credit to a non-profit organization that administers to the care and well-being of children, many of whom are of low- or moderate-income. The organization's focus is the prevention of child abuse through family support, parenting education, and community development. The line of credit is used for the organization's working capital needs. While the original line of credit was originated prior to the evaluation period, the line was renewed in 2008, 2009, and 2010, for a total of \$90,000 in qualified loans for the evaluation period.
- In 2006, the Bank provided a \$75,000 commercial line of credit to a non-profit organization that provides community based employment for handicapped individuals, mainly in assembly work for the high tech and electronics industry. While the original line of credit was originated prior to the evaluation period, the line was renewed in 2008, 2009 and 2010, for a total of \$225,000 in qualified loans for the evaluation period.
- In 2008, the Bank provided a \$50,000 commercial line of credit to a non- profit organization that serves families and children in the local community. This organization annually provides over \$75,000 in financial assistance for membership, childcare, and campership. In 2010, the organization assisted 530 people, including 346 children that would otherwise not be able to participate in the organization's activities. The line was renewed in 2009 and 2010, for a total of \$150,000 in qualified loans for the evaluation period.

- In 2009, the Bank provided a \$75,000 commercial line of credit to a non-profit organization that operates a vocational program providing transportation services for mentally handicapped individuals. In addition, the organization provides housing and support services for individuals recovering from substance abuse. The line was renewed in 2010, for a total of \$150,000 in qualified loans for the evaluation period.

Qualified Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. During the evaluation period, the Bank had \$107,804 in qualified investments consisting exclusively of grants and donations.

ASB contributed to organizations that provide education, youth programs, affordable housing, health and human services, and support business growth and development. For year-end December 31, 2008, the Bank granted \$58,913 in charitable donations to community organizations, of which \$30,005, or 50.9 percent, was considered qualified. For year-end December 31, 2009, the Bank granted \$66,795 in donations, of which \$36,097, or 54.0 percent, was considered qualified donations. For year-end December 31, 2010, the Bank granted \$64,961 in donations, of which \$39,152, or 60.3 percent, was considered qualified donations. For the first quarter of 2011, the Bank granted \$7,020 in donations, of which \$2,550, or 36.3 percent, was considered qualified donations.

The Bank's qualified donations have remained relatively stable since 2008. A closer review of the donations revealed that ASB's qualified donations represented approximately 1.7 percent, 1.6 percent, and 1.3 percent of the Bank's pre-tax net operating income (NOI) for 2008, 2009, and 2010, respectively. For the first quarter ending March 31, 2011, qualified donations for 2011 represented 0.5 percent of the Bank's pre-tax NOI. Despite the slight decline, the donations as a percentage of pre-tax NOI indicate a good overall performance. See Table 10 for further details.

Table 10
Qualified Community Development Donations

| Community Development Category | 2008 | | 2009 | | 2010 | | YTD 2011 (thru 3/30/2011) | | TOTAL | |
|--|-----------|---------------|-----------|---------------|-----------|---------------|------------------------------|--------------|-----------|----------------|
| | # | \$ | # | \$ | # | \$ | # | \$ | # | \$ |
| Affordable Housing for Low- and Moderate-Income Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Services Targeted to Low- and Moderate-Income Individuals | 27 | 30,005 | 24 | 36,097 | 17 | 39,152 | 5 | 2,550 | 73 | 107,804 |
| Promote Economic Development | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revitalize or Stabilize Low- or Moderate-Income Geographies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 27 | 30,005 | 24 | 36,097 | 17 | 39,152 | 5 | 2,550 | 73 | 107,804 |

Source: Internal Bank Records

The aforementioned qualified community development donations benefited organizations that provide education, youth programs, affordable housing, health and human services, and community services. The following are a few examples of the organizations to which ASB made qualified community development donations during the evaluation period:

Athol Area United Way, Inc. - This organization provides social services that include outreach, education, health, and welfare enhancement, and advocacy to a wide segment of the community ranging from infants to the elderly. All of this organization's efforts are intended to reach that portion of the community that is most needy.

United Way of North Central Massachusetts - This organization supports programs that range from basic needs, such as food, clothing, and shelter through after school programs for at-risk youth and across the lifespan towards elder-care services. The beneficiaries of these various programs are low- and moderate-income families.

North Quabbin Adult Day Care - This organization is an affiliate of Gardner Visiting Nursing Association with enrollees that are 70 percent low-income individuals benefiting from MassHealth, and the remaining clients are subsidized by Franklin County Home Care and private pay.

Court Appointed Special Advocates for Children (CASA) - This organization is committed to helping abused and neglected children that have been removed from their homes and have lost everything that is familiar and important to them.

Consumer Credit Counseling Services of Southern New England – This organization offers free counseling services and works with individuals to solve their debt problems and take control of their financial future by learning ways to manage money.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. Described below are the Bank's community development services.

Involvement in Community Development Organizations

Trustees, management, and staff serve on the boards and committees of various community organizations, civic groups, and non-profits. The following list is a sample of organizations within the Bank's assessment area that received community development services from the Bank.

Athol Area United Way - A Bank senior vice president serves on the Board of Directors and is also the treasurer. A Trustee of the Bank and the Bank's administrative assistant serve as Directors. This organization provides social services to segments of the community that are most needy.

Valuing Our Children - A Bank senior vice president serves on the Board of Directors and is the treasurer of the organization. The organization focuses on the prevention of child abuse through family support, parenting education, and community development. Programs include transportation, child care, and food, at no cost.

Athol Area YMCA - The Bank plays a significant role in this organization. Two of the Bank's Trustees are Board members. A Trustee of the Bank is also the treasurer of the organization and a member of the Finance Committee. In addition, a Bank senior vice president serves as assistant treasurer and is a member of the Finance Committee. The organization is dedicated to providing social services that include outreach, education, health, welfare enhancement, and advocacy that is intended to reach the portion of the community that is most needy.

North Quabbin Adult Day Care - A Bank senior vice president is a member of the Advisory Committee and is involved in fundraising. This organization is an affiliate of Gardner Visiting Nurses Association whose enrollees are 70 percent low-income individuals.

The Winchendon Community Action Committee - The Bank's community development officer serves as treasurer of this organization. The organization serves those individuals that are in need. Services offered include medical appointment transportation, food pantry services and distributing items of need to needy individuals and families.

The Greater Gardner Community Development Corporation - The Bank's vice president serves on the Board of this organization. This organization promotes self-sufficiency by creating affordable housing opportunities and providing additional programs that raise the economic, educational, and social levels of residents in its service area.

Wendell P. Clark Memorial YMCA- This organization is dedicated to enriching the lives of children, families and seniors in Winchendon and surrounding areas. Their mission is to inspire youth and families to proactively improve the quality of life for themselves and others by pursuing life-enhancing opportunities, becoming more involved in the community, and aspiring to be in a position to serve others. The Bank's senior vice president serves as a Financial Development Committee Member.

Educational Services and Seminars

First Time Homebuyers Seminar - ASB hosted ten first time home buyer seminars in conjunction with the Greater Gardner CDC. Four of these seminars were held in 2008, three in 2009, two in 2010, and one in 2011.

After School Program- The Bank's community banking officer participates in an after school program at Toy Town Elementary School in Winchendon, the Phillipston Memorial School in Phillipston, and the Oakham Central School in Oakham. The program runs in eight week sessions, with two conducted each year in 2009 and 2010. The Bank participates in two of the eight week sessions two afternoons per week. The lessons used for the program come from the Commonwealth of Massachusetts "Savings Makes Cents" program. This program is designed to expose school children to the values of thrift, the origin of money and the concept of basic budgeting skills. This program is funded by a grant; however, the Banks funds all of the learning materials.

Financial Education - The Bank continues on an annual basis to provide several local schools within its community with copies of instructional materials that are needed for financial literacy training. Based on requests from local school teachers, the Bank provided materials entitled "Your Checking Account" and "Your Personal Guide to Loans and Credit" to the schools.

SaveSum Program - The Bank offers this program on an ongoing basis to four local schools as an interactive hands-on educational program designed to educate school age children on the importance of saving money, being self disciplined, and feeling self satisfaction watching their money grow.

Fraud Seminar - The Bank's security officer conducted three seminars in 2009 for seniors. The seminars were conducted at the Athol Area YMCA, the Starrett Methodist Church, and the King James Court. The seminars included discussions regarding Internet fraud, Telephone fraud and Mail fraud.

BRANCH/ATM DELIVERY SYSTEMS

ASB operates eight banking offices in its assessment area, including its main office in Athol and its branch offices in Athol (2), Ashburnham, Baldwinville, Barre, Gardner, and Winchendon. No banking offices were opened or closed since the prior CRA evaluation. Automated teller machines (ATM) are available at all locations except for the 388 Main Street location in Athol. The Bank does not operate any remote ATMs. Refer to Table 11 below for information concerning the geographic distribution of branches and ATMs by census tract income.

| Table 11 | | | | | | |
|---|------------------------|----------------------------|-----------------|----------|------------|----------|
| Distribution of Branches and ATMs in the Assessment Area | | | | | | |
| Census Tract Income Level | % of Tracts | % of Population | Branches | | ATM | |
| | | | # | % | # | % |
| Moderate | 30.0 | 22.2 | 4 | 50.0 | 3 | 42.9 |
| Middle | 70.0 | 77.8 | 4 | 50.0 | 4 | 57.1 |
| Total | 100.0 | 100.0 | 8 | 100.0 | 7 | 100.0 |

Source: 2000 U.S. Census and internal bank records

As Table 11 shows, the banking offices and ATMs are well distributed in the assessment area. Furthermore, the proportion of branches in the moderate-income tracts exceeds the percentage of the population residing in those census tracts.

APPENDIX A

Division of Banks - Fair Lending Policies and Procedures

FAIR LENDING POLICIES AND PRACTICES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

Athol Savings Bank's Fair Lending Policy is incorporated within the Compliance Policy and addresses specific areas relating to all internal and external employee training, including the Equal Credit Opportunity Act (Regulation B), and Fair Housing Act. The Bank's marketing is done through local radio, newspaper and statement stuffers that reach the entire assessment area. The Bank continues to maintain a second review policy that requires the original underwriter to review all declined applications with another underwriter or a Bank Vice President. The Bank utilizes a team approach and if the decline stands after the second review, all information is documented in the applicant's file and the appropriate notices are sent to the applicant.

There are currently 86 employees (69 full-time and 17 part-time) at the Bank; 2 of the 86 employees are bi-lingual. The bi-lingual employees are available to assist non-English speaking customers and potential customers. Second languages spoken include Spanish, German, Polish, and Slovakia. As a result, the Bank is able to provide better service to customers of different ethnic backgrounds.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. In 2009 and 2010, the Bank received 472 residential loan applications from within its assessment area. During this period, 8 applications, or 1.7 percent, were received from minorities and three were declined. Five applications were received from individuals of Hispanic or Latino ethnic backgrounds and three were declined.

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

According to the 2000 Census Data, the Bank's assessment area contained a total population of 95,947 individuals, 4.9 percent of which is representative of various racial and ethnic minorities.

| Minority Application Flow | | | | | | | | |
|------------------------------------|------------|--------------|---------------------|--------------|------------|--------------|------------|--------------|
| RACE | ASB 2009 | | AGGREGATE DATA 2009 | | ASB 2010 | | BANK TOTAL | |
| | # | % | # | % | # | % | # | % |
| <i>Native American</i> | 0 | 0.0 | 11 | 0.2 | 1 | 0.5 | 1 | 0.2 |
| <i>Asian</i> | 1 | 0.4 | 36 | 0.6 | 0 | 0.0 | 1 | 0.2 |
| <i>Black</i> | 0 | 0.0 | 34 | 0.5 | 1 | 0.5 | 1 | 0.2 |
| <i>Hawaiian/Pacific Islander</i> | 0 | 0.0 | 1 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| <i>2 or More Minority Races</i> | 0 | 0.0 | 3 | 0.1 | 1 | 0.5 | 1 | 0.2 |
| <i>Joint Race (White/Minority)</i> | 3 | 1.1 | 61 | 0.9 | 1 | 0.5 | 4 | 0.9 |
| Total Minority | 4 | 1.5 | 146 | 2.3 | 4 | 2.0 | 8 | 1.7 |
| <i>White</i> | 265 | 96.7 | 5,095 | 78.4 | 193 | 97.5 | 458 | 97.0 |
| <i>Race Not Available</i> | 5 | 1.8 | 1,252 | 19.3 | 1 | 0.5 | 6 | 1.3 |
| Total | 274 | 100.0 | 6,493 | 100.0 | 198 | 100.0 | 472 | 100.0 |
| ETHNICITY | | | | | | | | |
| <i>Hispanic or Latino</i> | 0 | 0.0 | 78 | 1.2 | 1 | 0.5 | 1 | 0.2 |
| <i>Not Hispanic or Latino</i> | 267 | 97.5 | 5,096 | 78.5 | 194 | 98.0 | 461 | 97.6 |
| <i>Joint Hispanic/Not Hispanic</i> | 2 | 0.7 | 46 | 0.7 | 2 | 1.0 | 4 | 0.9 |
| <i>Ethnicity Not Available</i> | 5 | 1.8 | 1,273 | 19.6 | 1 | 0.5 | 6 | 1.3 |
| Total | 274 | 100.0 | 6,493 | 100.0 | 198 | 100.0 | 472 | 100.0 |

*Source: PCI Services, Inc., CRA Wiz Software.

In conclusion, the comparison between the 2009 aggregate data and the assessment area demographics, the Bank's performance was not consistent with either reference but did show an improving trend

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 444 Main Street, Athol, MA 01331."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.